



your energy choice

Robert G. Schoenberger

**Chairman of the Board
& Chief Executive Officer**

June 5, 2001

James Connolly, Chairman
Commonwealth of Massachusetts
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

RE: Competitive Markets

Dear Chairman Connolly:

I appreciated the opportunity to speak to the Commission at the Technical Session on May 31st. After hearing the remarks of my colleagues on the morning panel and getting a full report on the proceedings for the remainder of the day, I thought it would be helpful to supplement my earlier comments. As the CEO of a holding company which owns both a distribution utility, Fitchburg Gas & Electric (FG&E), and an energy broker, Usource, serving the Massachusetts markets, I believe the interests of both distribution utilities and competitive market participants are best served by successfully transitioning customers to competitive markets quickly. As Commissioner Keating stated – "Timing is of the essence".

While I realize these are complex issues and there will be many ideas put forward, I am distressed by the absence of a sense of urgency among commenters regarding the immediacy of the problem for the Commonwealth of Massachusetts. We must find ways of giving a substantial portion of Default Service customers access to realistic market choices **this summer**, or we run the risk of significant economic damage to the economy and a consumer backlash that could undermine the foundation of electric restructuring.

Most of the proposals talked about going slowly, studying the issue or implementing a pilot program by the end of the year. Moreover, based on our experience, proposals to "match" customers with suppliers will not work because of the immaturity of the market - neither buyer nor seller is entering the process informed and committed. We need to support existing solutions and put them in the hands of customers now.

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In that regard, I recommend the Department push hard on the utilities and other parties to get proposals in place and working as soon as possible. In order to facilitate your efforts, I have asked my staff to put together three proposals and to file them with you quickly. In summary these proposals are:

1. To issue an emergency order: (1) directing utilities to take all reasonable steps to inform, educate and work with their Default Service customers in order to bring them as quickly as possible, on a supplier-neutral basis, to real competitive market options "ready to buy"; and (2) indicating that the utilities will be allowed to recover these costs, including the costs of outsourcing for market facilitation services, in future Default Service rate proceedings.
2. To issue an emergency order authorizing utilities to release the name, address and rate classification of any Default Service customer to any supplier or broker registered as such with the Department, authorizing the temporary use of FAX and email signatures for the purpose of releasing customer data to registered brokers and suppliers and for the purpose of enrolling Default Service customers with competitive suppliers, and instructing utilities to expedite with their customers the information release and enrollment processes to the maximum extent possible.
3. In addition to these generic proposals, we will also be making a proposal applicable to FG&E's customers only. This request will address the provision of the Department's Electric Restructuring Order for FG&E that prohibits FG&E customers from doing business with Usource as an affiliated company. Given that Usource is presently the only exchange-based supply-neutral broker actively marketing to customers in Massachusetts, this restriction is not serving a useful purpose and denies FG&E's customers access to an available market solution.

These proposals will be addressed in greater detail in the filings that we are now preparing.

I agree with your comment about how far we have come in restructuring, but I'd like to emphasize one final point. The move towards competitive markets has improved the generation outlook in the region, and has also led to the development of innovative tools and services, such as those offered by Enermetrix and Usource, designed to help customers and suppliers alike deal with the complexities of the competitive marketplace. Millions of dollars of investments have been made in anticipation of open markets. If we do not succeed in opening these markets and adopting these innovations in a timely manner, the industry will, in my opinion, have missed a great opportunity to make a giant leap forward in serving customers better.

We stand ready to work with the Department to move aggressively in bringing competitive market innovations to customers in Massachusetts. I would be happy to arrange a presentation about Usource and the Enermetrix energy exchange for the Department at your convenience.

Sincerely,

A handwritten signature in black ink, reading "Robert G. Schoenberger". The signature is fluid and cursive, with a large initial "R" and a long, sweeping underline.

Robert G. Schoenberger